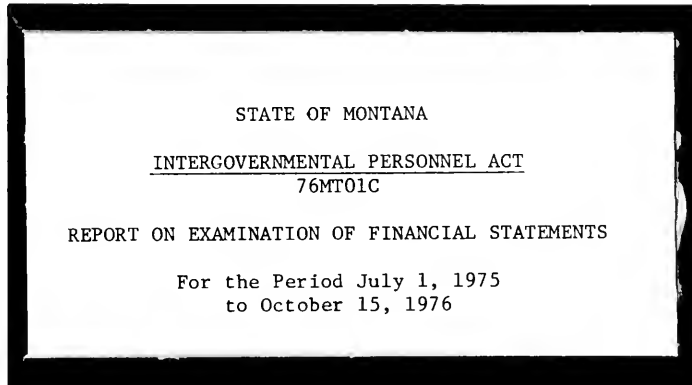


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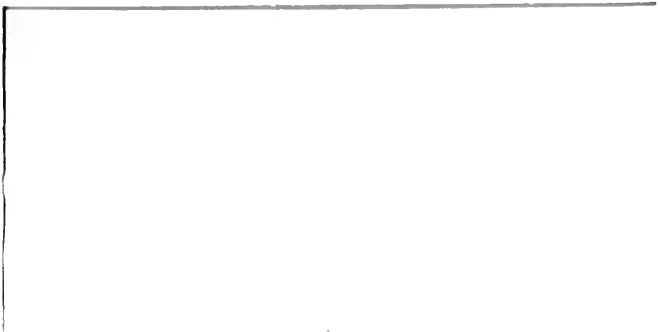
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OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
STATE CAPITOL • HELENA



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STATE OF MONTANA

INTERGOVERNMENTAL PERSONNEL ACT
76MT01C

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

For the Period July 1, 1975
to October 15, 1976



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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

State of Montana

Jack Crosser	Director, Department of Administration, State of Montana
--------------	---

Duane Johnson	Administrator, Personnel Division, Department of Administration
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SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of the Department of Administration is included in the back of this report.

Page

Request that future grants provide a month-end cutoff
to facilitate financial report preparation.

4

Agency Reply: Concur. See page 17.

Advise subgrantees to:

1. Develop accounting records which collect cost data in the IPA reporting format.
2. Improve controls over cash receipts.
3. Properly document the purpose of IPA related travel expenditures.
4. Request timely authorizations for all changes to the authorized budget.

9

Agency Reply: Concur. See page 17.

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



MORRIS L. BRUSETT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:
JOSEPH J. CALNAN
ADMINISTRATION AND
PROGRAM AUDITS

ELLEN FEAVER
FINANCIAL COMPLIANCE AND
CONTRACTED AUDITS

STAFF LEGAL COUNSEL
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the accompanying consolidated Statements of Costs Authorized, Claimed, and Audited, of the State of Montana for Intergovernmental Personnel Act Grant No. 76MT01C, and the supporting related statements of the grantee and subgrantees for the period July 1, 1975 to October 15, 1976. Our examination was made in accordance with generally accepted auditing standards and with the audit requirements set forth in the audit guide issued by the Bureau of Intergovernmental Personnel Programs, U.S. Civil Service Commission, for audits of Intergovernmental Personnel Act grant recipients, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 2, the statements are prepared in accordance with the requirements of the grantor and do not include balance sheets or statements of changes in fund balances. This practice differs from generally accepted accounting principles. Accordingly, the accompanying statements are not intended to present financial position and the results of operations in conformity with generally accepted accounting principles. These financial statements are prepared solely for filing with the grantor and are not intended for any other purpose.

In our opinion, the accompanying statements of Costs Authorized, Claimed, and Audited fairly present such costs for IPA Grant No. 76MT01C for the period July 1, 1975 to October 15, 1976, on the basis of accounting described in Note 1, which basis has been applied in a manner consistent with that of the preceding year.

Respectfully submitted,

A handwritten signature in black ink, reading "Morris L. Brusett". The signature is written in a cursive, slightly slanted style.

Morris L. Brusett, C.P.A.
Legislative Auditor

January 31, 1977

COMMENTS

GENERAL

The purposes of the Intergovernmental Personnel Act of 1970 (IPA) are set forth in Public Law 91-648: "To reinforce the federal system by strengthening the personnel resources of the state and local government, to improve intergovernmental cooperation in the administration of grant-in-aid programs, to provide grants for improvement of state and local personnel administration, to authorize federal assistance in training state and local employees, to provide grants to state and local governments for training of their employees, to authorize interstate compacts for personnel and training activities, to facilitate the temporary assignment of personnel between the federal government and state and local governments, and for other purposes."

The IPA formula grant 76MT01C was accepted by the state for the period July 1, 1975 through October 15, 1976. The amount of the original federal grant was \$70,000. A supplemental award of \$19,000 funded an additional 3½ months of activity due to the federal fiscal year extension. This grant was made in accordance with the provisions of the Intergovernmental Personnel Act of 1970 and allowed a continuation of programs instituted in prior years under similar federal grants.

The state of Montana was the grantee, and the Montana Association of Counties, the Montana League of Cities and Towns, Cascade County, Missoula County, and Yellowstone County were subgrantees. Yellowstone County cancelled the program early in the year due to personnel changes which delayed project objectives.

During January 1976 an evaluation team from the U.S. Civil Service Commission assessed the performance of the grantee and sub-grantees

under the IPA grant. The evaluation team's report stated that their overall assessment of the IPA projects in the state of Montana is excellent. The report was delivered to the Department of Administration in February 1976.

STATE OF MONTANA

The state of Montana's primary objectives for the IPA grant were the maintenance of the statewide classification system and training for state government employees. During the period of the grant, the state conducted 30 training sessions for governmental employees. The statewide classification system was developed by the state with the assistance of a previous IPA grant.

Budget Differences

The IPA Grant Audit Guidelines require disclosure of any significant deviations between actual expenditures incurred and the approved project budget. We determined that the state of Montana, as grantee, had material deviations between authorized costs and total expenditures for four object cost categories. As shown on Exhibit II, personnel and fringe benefits expenditures exceeded the combined authorized cost by approximately \$38,000, and the "other" object class expenditures were approximately \$29,000 less than authorized costs.

The former training bureau chief estimated total expenditures needed for the grant extension period from July 1, 1976, to October 15, 1976. These expenditures were included in the object category "other" rather than being broken into the correct object categories. This budgeting method explains most of the above-described deviations from the budget. Expenditures for contracted services were approximately \$19,000 less than authorized. This resulted from overestimating costs of meeting the objectives of this expenditure category.

The state of Montana agreed that the grantee's matching share of the grant would equal 63 percent of total expenditures. Final state project costs amounted to \$195,019, less program income of \$3,3235, with a net project cost of \$191,784. Of this total the state provided matching funds of \$142,423. This represents a match of 73 percent, indicating that the state more than met its matching requirements.

Statewide Budgeting and Accounting System

The primary accounting system for the IPA grant fund is the Statewide Budgeting and Accounting System (SBAS). The State Personnel Division codes its transactions directly into this system. Subgrantees maintain their own accounting records; however, all disbursements are recorded in total on the SBAS.

The SBAS prepares computer-generated financial reports at month-end and at year-end. Because of the grant extension resulting in a grant period ending October 15, 1977, it was necessary to manually prepare the financial reports required for the audit. These reports were prepared by the Legislative Auditor's Office and discussed with appropriate grant personnel.

The SBAS is capable of producing adequate financial information at month-end if original documents are properly coded. However, ending the grant period during the middle of the month, financial report preparation becomes a tedious accounting exercise. Since no provisions are made for accrual of items in midmonth, all expenditures paid in succeeding months must be reviewed to identify accruals. The Department of Administration should request that the granting agency, the U.S. Civil Service Commission, Denver Region, adjust next year's grant period to end at month-end.

RECOMMENDATION

We recommend that the Department of Administration request that future grants provide a month-end cutoff to facilitate financial report preparation.

MONTANA LEAGUE OF CITIES AND TOWNS

The primary IPA grant objectives of the Montana League of Cities and Towns were to develop classification specifications in four designated cities; to provide assistance to local governments in the development, implementation and modification of accounting and personnel records; to provide assistance and training in policies and procedures to local jurisdictions; and to write and print publications dealing with management and personnel management items.

Budget Differences

The Montana League of Cities and Towns had material deviations between authorized costs and total expenditures in two object categories. The deviations occurred because \$10,000 of Title II CETA funds were not allowed to be used as matching money, and approximately \$3,400 in personnel services, to be funded by different municipalities, never materialized. In addition, the league overestimated travel expenditures for the year.

The Montana League of Cities and Towns did not budget for or report \$390 in program income which resulted from reimbursement for travel expenses incurred by an employee. Such reimbursements should be budgeted and recorded as program income.

Accounting Records

We found accounting records adequate for the preparation of financial statements.

Audited Costs

The statement of Costs Authorized, Claimed and Audited for the Montana League of Cities and Towns shows minor differences between costs per grantee and costs per audit.

1. The personnel object category for grantee funds was increased \$273 due to computation errors in preparing the statements.
2. The fringe benefits category for grantee funds was increased \$1,073 to include all matching fringe benefits eligible to be charged to the grant. Fringe benefits for IPA funds was reduced \$25 due to an unemployment insurance payment which should have been included in prior years' expenses.
3. Twenty-five dollars in supplies was reclassified as maintenance.
4. A reimbursement of \$390 for travel was included in program income.

MONTANA ASSOCIATION OF COUNTIES

The primary IPA grant objectives of the Montana Association of Counties were the education of a staff member to provide technical assistance in labor-management relations; creation of six bi-monthly newsletters; presentation of a comprehensive management seminar; and production of a county personnel manual.

Budget Differences

The Montana Association of Counties had significant differences between authorized costs and actual expenditures for most object categories. In personnel services and fringe benefits, the association correctly recorded the expenditure of IPA funds; however, the budget included only a portion of IPA related expenditures as matching money. Based upon actual hours worked and actual expenditures, the expenditure of grantee funds exceeded the amount budgeted.

The association budget and financial report did not include \$2,500 in program income from the sale of county handbooks. Revenue from this source should be included in future budgets and financial reports.

Accounting Records

The Montana Association of Counties maintains hand-posted records. The association maintains an individual receipt and disbursement register for IPA funds. This register does not collect information in the format required to prepare IPA financial statements. As a result, additional time was required to prepare and audit the financial information presented in the accompanying financial statement. The association should develop accounting records which collect data in the IPA reporting format since the records are maintained exclusively for the grant.

We found certain weaknesses in internal controls over cash receipts and travel expenditures. The association does not use prenumbered receipts to account for cash receipts, nor is there adequate separation of duties in control over cash. Although the small staff of the association limits separation of duties, use of prenumbered cash receipts, with periodic supervisory review to test the proper deposit and posting of these receipts, would significantly increase controls.

We found that travel claims did not list the nature or purpose of the travel. This was also pointed out in a prior audit of the association's IPA grant moneys. To gain assurance that all travel claims are valid and charged to the proper fund, the claims should fully document the purpose of the travel.

Audited Costs

We found two differences between grant activity reported by the grantee and audited amounts, as shown on the statement of Costs Authorized, Claimed and Audited for the Montana Association of Counties.

1. The association's program income totaling \$2,500 was reported for the sale of county handbooks.
2. The personnel object category for grantee funds was increased \$14 due to a computation error.

CASCADE COUNTY

The primary IPA grant objectives of Cascade County were the appointment of a personnel director; development of a county classification system; development of a position description questionnaire and development of an application form for employment. The county developed and proposed a classification system to county employees; however, the plan was rejected. The county stopped work on the plan and other related objectives.

Budget Differences

The primary budget differences occurred due to rejection of the classification and pay plan. The county discontinued work in these areas; consequently, the budget exceeds audited costs by almost \$5,000. Personal services exceed budgeted expenditures by approximately \$700. The excess is attributable to the county providing more matching money in this category than they anticipated when preparing their budget. The grantee expenditures reflect the full amount of matching funds required, based upon actual time and attendance records.

Accounting Records

Accounting records were adequate to prepare financial information; however, the nature and purpose of travel was not listed on all travel claims. To gain assurance that all travel claims are valid and charged to the proper fund, the claim should fully document the purpose of the travel.

Audited Costs

The Statement of Costs Authorized, Claimed and Audited for Cascade County shows differences between costs claimed and audited costs in most object categories for grantee funds.

1. The personnel and fringe benefits object categories were increased by \$1,014 and \$39 respectively, due to computation errors in preparing the statements.
2. Grantee funds in the travel object category were reduced \$6 due to an overpayment.
3. Grantee funds in the supplies object category were reduced \$9 due to an overpayment.
4. Grantee funds of \$10 in the contractual object category were reclassified to the "other" object category.

MISSOULA COUNTY

The primary IPA grant objectives of Missoula County were the evaluation of the city/county personnel system and assessment of training needs of county offices.

Budget Differences

There were no significant budget differences in comparing authorized costs to actual expenditures. The county contracted with a consulting firm to prepare an evaluation of pay, classification and position maintenance for Missoula County.

Accounting Controls

The accounting system was adequate for the purpose of collecting financial information.

SUMMARY

Since the state of Montana is the grantee, recommendations for improving internal control and accounting records of subgrantees are directed to the Department of Administration. As discussed in the text of the report, two subgrantees have not adequately documented the purpose of each travel expenditure. One subgrantee has weaknesses in control over cash receipts, and the accounting records do not collect data in the IPA reporting format. In addition, the state of Montana and three subgrantees had significant differences between the approved budget and actual expenditures.

RECOMMENDATION

We recommend that the Department of Administration advise subgrantees to:

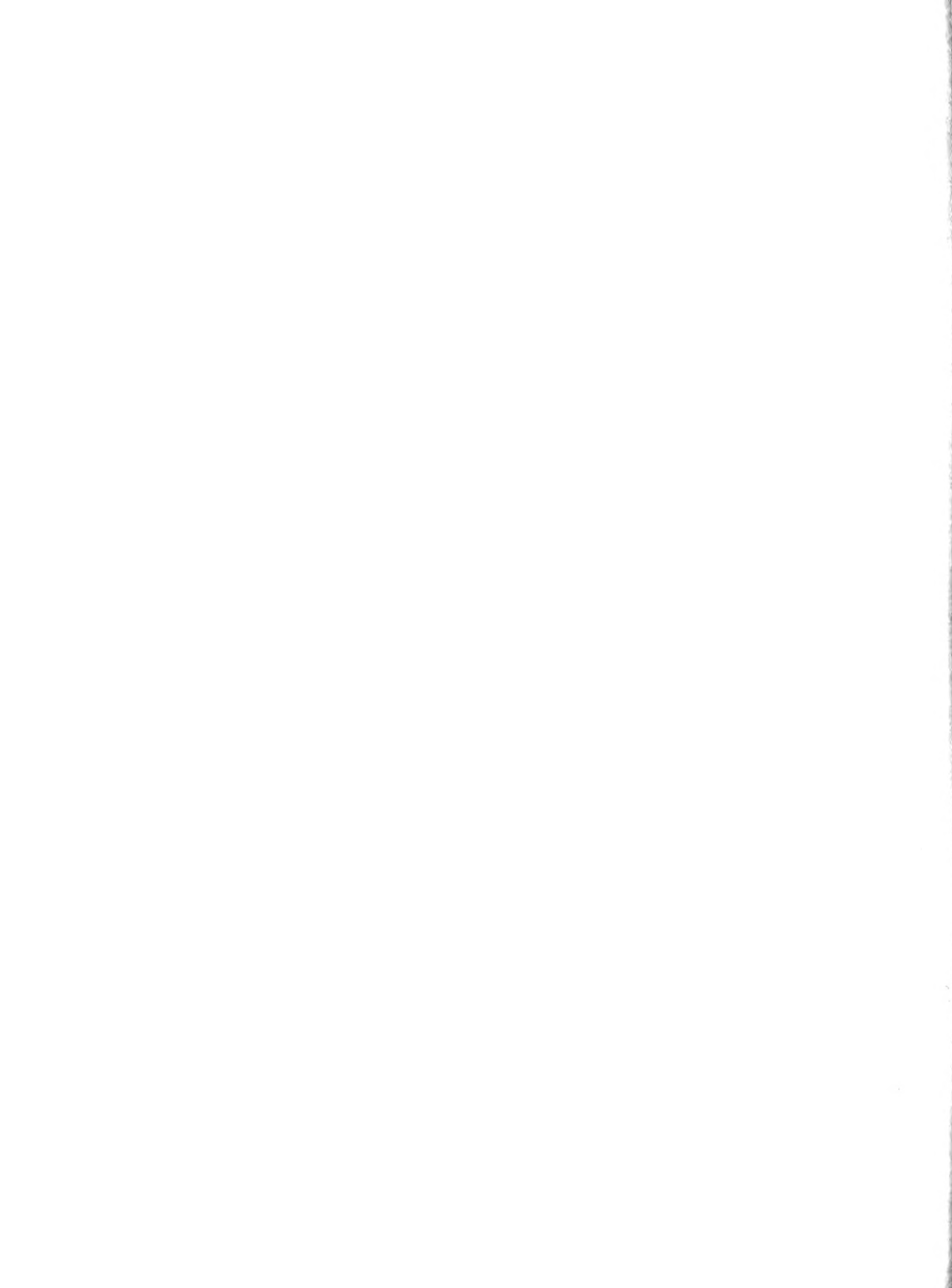
- 1. Develop accounting records which collect cost data in the IPA reporting format.*
- 2. Improve controls over cash receipts.*
- 3. Properly document the purpose of IPA related travel expenditures.*
- 4. Request timely authorizations for all changes to the authorized budget.*

FINAL COMMENTS

We have discussed this report with the director of the Department of Administration and his staff and officials of the subgrantee organizations. The director's response is on page 17. We wish to express our appreciation to these officials and to their respective staffs for their cooperation and assistance during the audit.



FINANCIAL STATEMENTS



Statement of Costs Authorized, Claimed, and Audited for
 Grant 76MT01C For period 7/01/75 to 10/15/76
 Grantee Organization State of Montana (Consolidated)

Budget Category	Costs Authorized (Budget)	Costs Per Grantee			Costs Per Audit		
		Total	IPA Funds	Grantee Funds	Total	IPA Funds	Grantee Funds
Personnel	\$156,018	\$178,782	\$ 54,724	\$124,058	\$180,083	\$ 54,724	\$125,359
Fringe Benefits	18,565	24,237	7,011	17,226	25,324	6,986	18,338
Travel	14,636	11,432	7,045	4,387	11,426	7,045	4,381
Equipment	1,700	1,045	692	353	1,046	692	354
Supplies	8,384	7,019	4,877	2,142	6,985	4,852	2,133
Contractual	68,385	48,308	21,320	26,988	48,298	21,320	26,978
Other	39,660	12,101	5,956	6,145	12,136	5,981	6,155
Total Direct Charges	307,348	282,924	101,625	181,299	285,298	101,600	183,698
Indirect Charges	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTALS	\$307,348	\$282,924	\$101,625	\$181,299	\$285,298	\$101,600	\$183,698
Program Income	\$4,000	\$3,235	\$3,235	-0-	\$6,125	\$6,125	-0-

Statement of Costs Authorized, Claimed, and Audited for
Grant 76MT01C For period 7/01/75 to 10/15/76
Grantee Organization State of Montana (State Only)

Budget Category	Costs Authorized (Budget)	Costs Per Grantee			Costs Per Audit		
		Total	IPA Funds	Grantee Funds	Total	IPA Funds	Grantee Funds
Personnel	\$ 97,556	\$131,201	\$25,990	\$105,211	\$131,201	\$25,990	\$105,211
Fringe Benefits	13,169	17,614	3,443	14,171	17,614	3,443	14,171
Travel	4,585	5,006	3,859	1,147	5,006	3,859	1,147
Equipment	800	900	647	253	900	647	253
Supplies	6,924	6,213	4,500	1,713	6,213	4,500	1,713
Contractual	47,219	27,851	11,137	16,714	27,851	11,137	16,714
Communications	35,052	6,234	3,020	3,214	6,234	3,020	3,214
Other Rent & Maintenance							
Total Direct Charges	205,305	195,019	52,596	142,423	195,019	52,596	142,423
Indirect Charges	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTALS	\$205,305	\$195,019	\$52,596	\$142,423	\$195,019	\$52,596	\$142,423
Program Income	\$4,000	\$3,235	\$3,235	-0-	\$3,235	\$3,235	-0-

Statement of Costs Authorized, Claimed, and Audited for
Grant 76MTOIC For period 7/01/75 to 10/15/76
Subgrantee Organization Montana League of Cities and Towns

Budget Category	Costs Authorized (Budget)	Costs Per Grantee			Costs Per Audit		
		Total	IPA Funds	Grantee Funds	Total	IPA Funds	Grantee Funds
Personnel	\$40,546	\$25,003	\$18,509	\$6,494	\$25,276	\$18,509	\$6,767
Fringe Benefits	2,951	3,061	3,061	-0-	4,109	3,036	1,073
Travel	3,039	2,156	1,766	390	2,156	1,766	390
Equipment	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	160	232	232	-0-	207	207	-0-
Contractual	400	400	400	-0-	400	400	-0-
Rent & Maintenance							
Other Communications Utilities, Other	2,388	2,278	2,278	-0-	2,303	2,303	-0-
Total Direct Charges	49,484	33,130	26,246	6,884	34,451	26,221	8,230
Indirect Charges	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTALS	\$49,484	\$33,130	\$26,246	\$6,884	\$34,451	\$26,221	\$8,230
Program Income	-0-	-0-	-0-	-0-	\$390	\$390	-0-

Statement of Costs Authorized, Claimed, and Audited for
Grant 76MT01C For period 7/01/75 to 10/15/76
Subgrantee Organization Montana Association of Counties

Budget Category	Costs Authorized (Budget)	Costs Per Grantee			Costs Per Audit		
		Total	IPA Funds	Grantee Funds	Total	IPA Funds	Grantee Funds
Personnel	\$10,140	\$15,127	\$ 6,500	\$ 8,627	\$15,141	\$ 6,500	\$ 8,641
Fringe Benefits	1,365	2,548	-0-	2,548	2,548	-0-	2,548
Travel	5,100	3,792	1,181	2,611	3,792	1,181	2,611
Equipment	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	500	330	98	232	330	98	232
Contractual	2,000	4,097	1,883	2,214	4,097	1,883	2,214
Rent, Postage Other Communications Copies	2,120	3,589	658	2,931	3,589	658	2,931
Total Direct Charges	21,225	29,483	10,320	19,163	29,497	10,320	19,177
Indirect Charges	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTALS	\$21,225	\$29,483	\$10,320	\$19,163	\$29,497	\$10,320	\$19,177
Program Income	-0-	-0-	-0-	-0-	\$2,500	\$2,500	-0-

Statement of Costs Authorized, Claimed, and Audited for
 Grant 76MT01C For period 7/01/75 to 10/15/76
 Subgrantee Organization Cascade County

Budget Category	Costs Authorized (Budget)	Costs Per Grantee			Costs Per Audit		
		Total	IPA Funds	Grantee Funds	Total	IPA Funds	Grantee Funds
Personnel	\$ 7,776	\$ 7,451	\$3,725	\$3,726	\$ 8,465	\$3,725	\$4,740
Fringe Benefits	1,080	1,014	507	507	1,053	507	546
Travel	1,912	478	239	239	472	239	233
Equipment	900	145	45	100	146	45	101
Supplies	800	244	47	197	235	47	188
Contractual	2,600	80	-0-	80	70	-0-	70
Other	100	-0-	-0-	-0-	10	-0-	10
Total Direct Charges	15,168	9,412	4,563	4,849	10,451	4,563	5,888
Indirect Charges	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTALS	\$15,168	\$9,412	\$4,563	\$4,849	\$10,451	\$4,563	\$5,888
Program Income	-0-	-0-	-0-	-0-	-0-	-0-	-0-

Statement of Costs Authorized, Claimed, and Audited for
Grant 76MT01C For period 7/01/75 to 10/15/76
Subgrantee Organization Missoula County

Budget Category	Costs Authorized (Budget)	Costs Per Grantee			Costs Per Audit		
		Total	IPA Funds	Grantee Funds	Total	IPA Funds	Grantee Funds
Personnel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Fringe Benefits	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Travel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Equipment	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Supplies	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Contractual	\$16,166	\$15,880	\$7,900	\$7,980	\$15,880	\$7,900	\$7,980
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Direct Charges	16,166	15,880	7,900	7,980	15,880	7,900	7,980
Indirect Charges	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTALS	\$16,166	\$15,880	\$7,900	\$7,980	\$15,880	\$7,900	\$7,980
Program Income	-0-	-0-	-0-	-0-	-0-	-0-	-0-

NOTES TO STATEMENTS OF
COSTS AUTHORIZED, CLAIMED AND AUDITED
IPA GRANT 76MT01C

NOTE 1 - BASIS OF ACCOUNTING

The accompanying financial statements were prepared on the full accrual basis, whereby all costs incurred and all revenue earned during the grant period are included in the statements irrespective of when payment was made or cash was received.

The statements were prepared from the Statewide Budgeting and Accounting System for the state as grantee, and from separate accounting records maintained by each sub-grantee.

NOTE 2 - STATEMENTS

The accompanying grant financial statements do not include balance sheets or statements of changes in fund balances for the state as grantee or for sub-grantees. The format of the statements of costs authorized, claimed and audited is prescribed by the grantor in the audit guide issued for audits of Intergovernmental Personnel Act recipients.

AGENCY REPLY





THOMAS I. JUDGE Governor

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE
MITCHELL BUILDING
HELENA, MONTANA 59601

May 23, 1977

RECEIVED

MAY 25 1977

MONTANA LEGISLATIVE AUDITOR

Mr. Morris L. Bruset
Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, Montana 59601

Dear Morris:

In response to your request of May 16, 1977, the following is our response to the recommendations contained in the report of the audit of the Intergovernmental Personnel Act Program.

RECOMMENDATION - Page 4

We recommend that the Department of Administration request that future grants provide a month-end cutoff to facilitate financial report preparation.

We concur with the recommendation and will request a month-end cutoff for future grants.

RECOMMENDATION - Page 9

We recommend that the Department of Administration advise subgrantees to:

- 1. Develop accounting records which collect cost data in the IPA reporting format.*
- 2. Improve controls over cash receipts.*
- 3. Properly document the purpose of IPA-related travel expenditures.*
- 4. Request timely authorizations for all changes to the authorized budget.*

We concur and will advise future subgrantees.

Sincerely,

Jack C. Crosser
Jack C. Crosser
Director



